Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of :	)	
	)	
Federal-State Joint Board on Universal	)	
Service Seeks Comment on Proposals	)	CC Docket No. 96-45
To Modify the Commission's Rules	)	
Relating to High-Cost Universal Service	)	
Support	)	

COMMENTS OF
ALEXICON TELECOMMUNICATIONS CONSULTING

I. Introduction

Alexicon Telecommunications Consulting (Alexicon) respectfully provides its Comments pursuant to the Federal Communications Commission (FCC) Public Notice[1] regarding the Federal-State Joint Board (Joint Board) on Universal Service proposals as provided by several Joint Board members, a State Commissioner and Joint Board Staff. The four proposals include: The State Allocation Method (SAM) proposed by Joint Board member Ray Baum; the Three Stage Package (Three Stage) proposed by Joint Board Member Billy Jack Gregg; A Holistically Integrated Package (HIP) proposed by State regulatory Commissioner Robert Nelson; and the Universal Service Endpoint Reform Plan (USERP) proposed by Joel Shifman, Peter Bluhm and Jeff Pursley.

Alexicon is a full service provider of financial, regulatory, business process, accounting and managerial assistance to approximately 20 telecommunications providers in 11 states. These clients represent a wide range of operating circumstances, geographic size, number of consumers, etc, and are all reliant upon Intercarrier Compensation charges (access charges) and Universal Service Funds

[1] ®FCC 05J-1, released: August 17,2005; herein "Notice"

(USF)[2] as major revenue sources to provide basic and advanced telecommunications services which allow consumers access to the nationwide public switched telecommunications network (PSTN). These USF funds allow these companies to provide services in their rural service territories comparable to services to those provided in urban areas, and at generally comparable rates.

These clients, all incumbent local exchange carriers (ILECs)[3], must provide their networks to be in compliance with specifications of state and federal regulatory agencies; Rural Utilities Service (RUS) to the extent they have obtained federal-support loans for network construction/upgrade; and also to increasingly provide for access to Internet and Broadband services to meet consumer demands and governmental specifications. These clients, and most of their rural independent ILEC counterparts, primarily provide services in sparsely populated, or geographically insular rural areas which generally have relatively longer loops (connections between a local switching facility and the consumer location), the most expensive portion of the telephone network to construct and maintain. These ILECs have consistently invested, and continue to reinvest, funds (both internally generated and borrowed) as necessary to meet consumer requests for services or to be able to expeditiously allow new consumers access to their networks upon request in their often geographically widespread, sparsely populated certificated areas.

It is with this past and continuing commitment to serving rural America that Alexicon provides these Comments, both regarding the specific proposals herein as well as updating significant developments that have occurred affecting ILECs since the last Comment cycle of this Docket (October, 2004)[4].

Finally, it should be noted that the Communications Act of 1934 (47 U.S.C. 151 et seq) has, for over 70 years, been the overriding directive for the provision of affordable universal service to all those desiring connection to the PSTN. The

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[2] both items currently governed by a variety of FCC rules and guidelines
[3] as defined in the 1996 Act, Section 251 (h)
[4] including Comments filed by Alexicon October 15, 2005

original Act was amended by the Telecommunications Act of 1996 (Act), which further required a specific set of Interconnection rules (Section 251); added specific Universal Service Principles (Section 254, (b) (c)); reinforced state authority (Section 254 (f)); and added Section 102 to address Eligible Telecommunications Carriers (ETCs).

It is with all of these principles in mind, and driven by the desire to enhance the opportunities for rural Americans to enjoy the same telecommunications services as available to those in urban areas and larger cities, that has caused rural ILECs to invest in telecommunication infrastructure. Without access charge compensation, USF compensation, RUS funding, etc. this goal would not be economically feasible. Alexicon believes that the "social contact" (evidenced by existing Federal rules and policies) between state and federal regulators and these rural ILECs must be protected. These companies must be allowed the continued opportunity to recover their investment made on behalf of consumers, and prospective consumers, of telecommunication services.

As will be discussed further in more detail, to continue to be faced with additional proposals for change or diminution of existing USF funding is not in consumers best interests. To continue to have various parties raise hypothetical conjecture about the need to reduce funding levels or to eliminate the "potential" for abuse or "excessive" recovery of historic investment by these entities does not provide the necessary incentives or resources that will continue to cause ILECs to continue to enhance their ongoing investments in telecommunications infrastructure for rural, high-cost and insular geographic areas.

II. The State Allocation Method (SAM)[5]

A. General - Alexicon contends that the proposed use of individual state allocation methods replacing existing Federal rules (uniformly applied in all

[5] Notice, Appendix A, pgs 3-7

states,territories,etc.) yields no benefit to ratepayers, potential consumers, contributors or anyone else. It would appear to strictly be a way for states to assert greater authority to USF fund distributions and to help maintain their current staffing levels during an era of decreasing state regulatory authority.

Since the earliest advent of explicit USF contributions and federal funding distributions, there have been universally applied rules, which clearly provided sustainable, predictable fund flows[6] which allow local service rates to be controlled and kept at "levels lower than they otherwise would be."[7] Furthermore, these federal rules are not easily, or potentially arbitrarily, changeable and require a sufficient notice and comment period allowing full and open discourse regarding proposed changes. These rules require that purported benefits of changes and full analysis of the effects of such changes be adequately explored. This federal rule process is highly insulated from political pressures, self-interest lobby efforts, arbitrary and capricious actions of individual regulators, and the like, which may not always be reflected in state regulatory processes.

To shift from existing federal rules for distribution methodologies without any rationale or showing of public interest is not warranted. This proposed method would create a patchwork of various state allocations of USF and Lifeline/Linkup funds while maintaining collections of contributions and actual fund disbursement of these funds by the Universal Service Administrative Company (USAC)[8]. Neither of these changes is demonstrated to be necessary.

The inconsistency of allocation by each state appears to be a step backward, rather than accomplishing any specific goal in changing from existing federal allocation/distribution methods. Alexicon cannot foresee what positive result develops from this concept.

[6] 1996 Act, Section 254, (2) (b) (5)
[7] prior FCC Order(s) in Docket 80-286
[8] USAC appointment Order: 47 C.F.R. 54.701

Finally, in considering the potential effect upon any company that operates in two or more states, which is a very common situation in the Mid West, Southwest and Western states, operators and consumers for these companies could very likely face far differing distributions in the various states, even when costs and investments are similar or the same. This is not the situation under current Federal rules. Again, Alexicon asserts that no benefit appears to accrue to any party in this situation as opposed to current methodologies.

B. Use of Models

The proposed use of models, especially any form of forward-looking cost models, ignores all prior evidence submitted in this Docket which indicates that models do not produce accurate, reliable data based on actual per-ILEC per-location (study area, wire center, state or regional) costs. This is especially true in rural ILEC areas compared to embedded investments that have been incurred on behalf of consumers by each rural, rate-of-return regulated ILEC.

C. Rate Benchmarks

The use of a rate benchmark suggested by this plan assumes several previously unanswerable questions: With widely varying local calling capacities, how is there an equalization of calling scope accomplished? What justification is used for differing state economic activity and consumer differing income levels to be recognized in such benchmarks? How, and where, are state benchmarks adjusted for specific provider rate changes? What are the provisions for benchmark adjustments with entry or exit of competitive carriers and their rates? How do these proposals recognize the introduction of new or modified USF funding service provisions, including new or revised service offerings?

D. Intercarrier Compensation

This plan pre-supposes that an intercarrier compensation reform plan will be resolved by the Joint Board, the FCC, and that it will successfully pass through all levels of judicial review by a specific time. Alexicon believes that this process will not be quickly or easily resolved, and inclusion of such a plan would not be completed in the timeframe contemplated by the SAM[9] proposal.

E. Lifeline and Linkup Calculations

Alexicon is perplexed as to the supposed benefit of the inclusion of these item calculations in any revised allocation methodology. These plans are already in place in separate rules and calculations, with one being a one-time offset of installation charges and the other an ongoing reduced monthly rate for a "reduced" service level. What "consumer eligibility" versus "actual cost offset as proposed" has to do with USF distribution is not an apparent linkage to Alexicon. Further, absent any showing of any benefit to this approach, no positive effect is obvious from this proposal.

F. FCC Guidelines and Review

As previously stated, Alexicon is opposed to any movement from the existing regime of federal rules and the methodology involved in changing, adding or deleting them in favor of shifting to some type of "oversight and guidelines". Individual state rules and methods for USF allocation, etc. would potentially be much more sensitive to political, social and lobby efforts which might then allow greater unfettered ability to modify, add or change – possibly in situations that may be perceived as arbitrary or capricious in nature.

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[9] Notice, Appendix A, pg 6 and 7

Finally, the suggestion of the ability to withdraw or reduce funding for "not living up to its commitments" is an over-reaching concept since none of the parties have any ability to trace source and use of funding. This is a totally inappropriate and unsupported issue that should be stricken from the proposal. Existing federal rules, and the current yearly certification process by states to determine eligible recipients is adequate, and this proposal fails to demonstrate any benefits of this proposed item.

G. Transition Period

Although any proposed major change to existing USF will require some form of transition, Alexicon believes the timeframe included in this proposal is not realistic to accomplish. History has revealed that a proposal to create phases and transitions of a new rule is most effective over several years (such as the DEM Weighting, Subscriber Plant Factor (SPF), and USF High Cost Loop fund rules of the late 1980's and early 1990's). Alexicon believes the timeframe proposed herein is too short to feasibly accomplish, and further is totally unsupported in this proposal.

H. Supporting Data

Alexicon is greatly concerned by the lack of any supporting data for this plan. Without such data, it is impossible to ascertain the effects – both by USF recipient and for the plan overall. Further, there appears to be no supporting rationale as to why this proposal is in any way more beneficial to consumers, and potential consumers, of telecommunication services than existing rules and methods. Both of these items should, of themselves, cause rejection of this proposal.

III. Three Step Package[10]

A. General

In general terms this proposal appears to contain *some* rational, and potentially viable, concepts of the current four proposals. With the exception of this proposal's concept to 1) freeze per line support upon competitive entry during Stage One; and 2) combine study areas within a given state, it is a generally supportable method to resolve several short-term, immediate concerns of the Joint-Board and the FCC.

B. Stage Two and Stage Three

Alexicon supports the proposal to the extent that these stages would require new proceedings and Comment cycles to properly develop a record[11]. We also agree that any intercarrier compensation reform plan, if adopted, needs to at a minimum be assessed collectively and conjunctively regarding its effect (s) on USF.

We do have major concerns with several specific proposal issues: As with the SAM proposal, we are concerned with the use of rate benchmarks for smaller rural carriers, but concede that this could be an area requiring further data analysis and specific by-state review. Another major concern is regarding the concept of "forced" rate increases as has previously occurred in several states,[12] usually without full consumer cost/benefit data analysis. Again, we agree that inclusion of this component to rural carrier USF computations could be a logical inclusion to future USF changes, dependent upon a sufficient record being established, and benefits being demonstrated.

[10] Notice, Appendix B, pg 8-13
[11] beyond the current FCC-Joint Board referral
[12] such as evidenced in the State of Kansas in its state USF Docket

The proposed limitation of fund growth to GDP-CPI could be a rationale proposal. However, Alexicon also favors the addition of exogenous factors[13] for fund growth to accommodate new technologies, additional mandated services, revised national policies such as broadband availability, recovery from natural disasters, etc.

Alexicon is opposed to any suggestion related to the combination of study areas within states. There are many logical and supportable reasons for multiple study areas in a state by a single company. Average schedule versus "cost" is a primary reason for multiple study areas. In many instances, the use of RUS funding for one area, and not another, is a good reason for varying study areas. In many cases, significant variations of demographics, geography and/or underlying embedded costs are further reasons for separate study areas. Finally, extensive differences of "separations factors"[14] also dictated separate areas. These variations were also compounded by the separations factor freeze, which would greatly complicate future study area combining.

We further are concerned with the appearance that stage three appears to favor state distribution plans (similar to that proposed in the SAM), including provision to Eligible Telecommunications Companies (ETCs). If this is the contained concept under "Block Grants", we are opposed for reasons similar to those outlined under the SAM proposal (the need to maintain existing uniform federal rules versus creating a hodge-podge of individual state rules).

C. Supporting Data

Again, a lack of supporting data for any of these proposed changes limits Alexicon's ability to fully assess the cost/benefits that accrue from each stage, or specific proposal item. We do, however, generally agree with the stated potential

[13] also note Section IV (E) of these Comments
[14] used to comply with FCC Rules, Parts 36 and 69

effects of each stage, and in principle, could generally support them, absent our above noted specific concerns.

IV. Holistically Integrated Package (HIP)[15]

A. General

Alexicon generally views this proposal as very similar to SAM, with some noted specific variations. We, again, question the validity of shifting from the existing concept of a Unified Federal rule regime to one of greater state-by-state allocation and control. Also, no rationale is presented in the HIP to demonstrate cost/benefit relationships, or other positive results of such a draconic shift. Admittedly, this proposal attempts to integrate various options provided by the NARUC committee staff,[16] but stops far short of justifying both the true need for proposed changes, as well as what benefits accrue to various parties as a result of any of the proposed changes.

B. Block Grants/State Allocation Mechanisms

As previously stated, Alexicon does not support any shift from federal rules to individual state allocation methods for USF distributions.

The notion , contained in this proposal, that there is a need for states to have any authority – during the transition period – to reduce high cost support if "carrier's earnings levels were unreasonably high or if service quality deteriorated below acceptable levels"[17] is unwarranted. States, in general, currently have sufficient authority over ILEC earnings levels and service quality. This inclusion is one more supposition that somehow carriers are misusing or abusing USF high-cost

[15] Notice, Appendix C , pgs 14-19
[16] Notice, Appendix D
[17] included absent any criteria ,or range of reasonableness provided to support this item

funds and is entirely without merit, evidence or creditability; it should be totally removed from this or any proposal.

C. Definition of Rural Carrier

Alexicon does not support the HIP position on this point. There has been an extensive record previously developed in this Docket[18] that has not changed, which does not support the need for funding in rural areas provided by "non-rural" suppliers of service. There is no supportable reason for these areas to be added to USF support, either now or in any future period.

D. Cost Basis of Support

Alexicon does not support any proposal other than individual company specific embedded costs as the basis for cost allocation and support. No evidence is presented in the HIP to justify its suggested alternative position, other than the HIP unsupported statements that: "statewide average costs can provide an incentive for investment in rural facilities" and "combining study areas and existing programs in a holistic manner allows each state to better control the growth in the total USF." Alexicon questions the goal of the HIP in these areas: Is it to 1) arbitrarily limit fund growth?; 2) allow states more control, oversight, and regulatory authority, possibly to the extent of compromising federal authority?; or 3) continue a viable incentive for rural infrastructure development?

E. Support for Transferred Exchanges

Alexicon disagrees with the HIP proposal in this area. There has been an extensive record previously developed in this Docket to indicate that substantial new investment is required in any area that rural ILECs purchase from non-rural carriers. In fact, these areas often require a total rebuild and extensive investment

[18] this includes multiple Comment cycles during the past nine (9) years

to bring service capabilities up to those already provided in the acquiring ILEC existing service areas. In this respect, Section 54.305 is essential in making sure investment in rural infrastructure is maintained and upgraded to provide advanced services similar to what is provided in non-rural areas.

F. Contribution Methodology

Alexicon concurs with the HIP proposal regarding expansion of contributions. The rapidly evolving use of VoIP technology to bypass traditional long-distance networks, and the shift to wireless technologies demands immediate attention to the contribution issues. It is clear that many parties who provide consumers with access to the PSTN, without providing any revenues or USF contribution, must be added to the existing contribution base.

G. Supporting Data

Again, absent empirical data for any item in this proposal, no cost/benefit analysis is possible. We therefore ask that supporting data be provided to allow a rationale review of this proposal.

V. Universal Service Endpoint Reform Plan (USERP)[19]

A. General

Alexicon, as previously noted, is concerned, and not in favor of "increasing reliance on state commissions to achieve goals set forth in Section 254.[20]" The suggestion that "federal support would only be provided where average costs are so high that a state cannot attain comparable and affordable rates through its own efforts" is not, in our opinion, consistent with Section 254. The suggestion that

[19] Notice, Appendix D, pgs 20-27
[20] as set forth in the 1996 Act

there be a two part USF is also inconsistent with Section 254 goals, and any prior or current evidence in this Docket.

B. Costs

Alexicon agrees with the use of cost-based "embedded or accounting cost" as the basis for calculations of support for the rural rate-of-return regulated ILECs. We are, however, troubled by and disagree with the suggestion of "costs would be limited in ways that reduce incentives for wasteful spending." Since no data is provided, nor is any specific method indicated to calculate what constitutes "wasteful spending," this suggestion should be rejected.

C. Two Part Federal Support

With no specific support for the proposed inclusion of intercarrier compensation or calculation of the so-called "125 percent" of national average urban cost, Alexicon fails to understand this support calculation, or any benefit that it provides. Additionally, the proposed inclusion of Billing and Collection revenues in the net calculation is contrary to historic and continued regulatory treatment of these costs and revenues. With no evidence or logic included, it is impossible to gauge any actual cost/benefit of this item. The suggestion that state explicit support funds somehow interplays in this proposal is unwarranted, unsupported and discriminatory, and should be rejected.

The proposal for the Part II support, especially when characterized as having Part I offset Part II support, arbitrarily assigns zones (similar to UNE zones) with several additional unsupported assumptions of state support to these zones. The arbitrary $2.00 per month state telecommunication customers contribution is unsupported and unwarranted. All in all, there appears to be unnecessary complexity introduced without benefit of this two part support proposal.

D. Hold Harmless and Separations

The concept herein of $1.00 per month of decreased per switched line hold harmless support is unsupported either in logic or by data. Replacing all existing universal service programs has been provided with no demonstrated benefit(s) and should be rejected.

The replacement of all existing USF programs "regardless of the nature of the costs they currently support"[21] is completely unsubstantiated by logic or data. In our opinion, there needs to be some basis of a cost/benefit analysis or supporting data to back up this concept.

Alexicon, however, does generally support the use of an "unseparated cost basis"[22]. However, the use of intrastate revenues in the proposed offset process is not consistent with the Act's USF concepts. Any removal of the distinction between rural and non-rural, however, should not be included herein.

E. State Allocation of Support

Alexicon does not support any plan that does not provide funding to states that have "uniform low cost." There are numerous examples of companies within states whereby the state may qualify as a low-cost state but some of the companies within that state may indeed be high cost and in need of assistance. Again, no basis is provided for support, or for the possible effects, of this item is provided; so it should be rejected.

Alexicon is also not in favor of the requirements in this proposal that essentially forces states to implement their own support funding processes. Whether this is an imputed or actual charge, Alexicon believes that this portion of the proposal is

[21] and is quite possibly a non-permissible action under the referral
[22] as opposed to the application of FCC jurisdictional allocation rules contained in Parts 67 and 69

outside the referral in this Docket. There is no basis for states to be forced to take actions that they do not believe are required.

F. Rural and Non Rural

Alexicon does not support the unified approach as proposed. It is both "outside the current referral" and has been repeatedly demonstrated to be rejected. In addition, the Commission has numerous times historically bifurcated rural and non-rural carriers on various issues. In this respect, rural areas can and should be treated and addressed differently due to their high cost and insular nature.

G. Non Participating States

Alexicon agrees that the FCC, and Joint-Board, lack jurisdiction under Section 254 to mandate states to implement state support programs. Any suggestions of some type of a Federal overlay by FCC operation of a defacto program would, in our opinion, be a non permissible action.

H. Competitive ETCs, Wireless CETCs and Other potential Competitive ETCs

Absent logic, policy or data support in these areas of the proposal, Alexicon does not believe that any changes to support levels or contribution in these areas are adequately explored or resolved in this proposal. Alexicon believes that reform of cost recovery and contribution issues in these areas are vital to any major overhaul of USF cost determination or funding reallocations. This will require much additional study and better defined proposals to resolve.

I. Data for Analysis

Alexicon is concerned regarding all of the many unsupported theories throughout this proposal. Absent sufficient, or any, actual data detailing effects of each portion of the proposal, one can only respond to historic evidence, or by logic, in reaching conclusions of each part of this proposal, and its components.

VI. Additional Issues or Facts Raised Since the August 2004 Public Notice Closed

A. Federal policies for interest rates, including the possibility of limiting potential inflation and continuing economic growth, have been increasing on a quarterly basis and are forecast to continue to rise[23]. The Federal Reserve (Federal Open Market Committee) has raised the base interest rate monthly and forecasts to continue doing so. The target short-term rate level is now (as of September 20, 2005) at its' highest rate in four (4) years. This rate, which directly impacts the prime rate charged by banks for consumer and business loans, has risen in eleven (11) consecutive time periods since June, 2004. This rate is expected to continue rising into at least early 2006. These increases continue to place increased risk to the funds utilized by ILECs in providing infrastructure upgrades and/or additions relative to earlier periods of lower, more stable interest rates. These interest rate increases make it even more vital that ILECs have a sustainable and predictable flow of USF high-cost funding assistance. Continued uncertainty caused by repeated Comment cycles and endless proposals suggesting limitations or reductions of existing USF monetary flow(s) will most surely have a long term effect of causing ILECs to become more reluctant toward maintaining historic funding levels of infrastructure investments.

Ultimately, embedded infrastructure costs will rise as interest rates continue to rise, thereby increasing pressure on local service rates. This, again, will cause the necessity for USF high-cost funds to be increasingly important to the smaller rural rate-of-return regulated high-cost ILECs if they are to maintain their abilities to continue rural infrastructure investments.

[23] widely reported in various media sources, and by many economists

B. VoIP Alternate to Traditional Long Distance Service(s)

VoIP (Voice over Internet Protocol) is a technology where a consumer utilizes a device connected between his telephone device and his Internet Broadband access. This device converts the voice speech (analog) to data-packets for transmission over the Broadband facilities, versus utilizing an interexchange carrier's long-distance network. At the terminating end of the "call" these data packets are converted back to recognizable analog voice speech signals.

There has been a marked increase in the consumer use of alternative VoIP service providers, which both reduces intercarrier compensation (access charge) revenues and reduces contributions to USF. When consumers utilize these types of services, through service providers such as Vonage, etc., the origination of a non-local call is initiated by the consumer utilizing a broadband Internet connection. The "call" is transported via the Internet (often over backbone PSTN facilities) and the termination to the "called" party also utilizes the PSTN. There are essentially no access charges paid to the ILEC at either end, although there is use of the PSTN and switching and loops at the origination and termination points.

Not only are revenue and USF contributions not generated with these VoIP calls, but there is additional facility use of local switching and loops. This increased usage continues to require new investment, additional maintenance and often extra consumer-service activity. This unwarranted and uncompensated invasion of the PSTN must be considered in any new or modified USF regime. Unfettered use of the PSTN without compensation must not be allowed to continue and grow.

VoIP is also causing negative impacts to number utilization resources since the consumer can, and does, literally choose advantageous NNX assignment regardless of their actual physical location. Since the VoIP technology easily allows these "virtual NNX" assignments, they allow consumers even greater opportunity to bypass traditional long distance access charges and USF contribution assessment by their providers. This also defeats efforts to conserve limited NNX resources and the logical ability to accurately forecast future needs.

Finally, as documented in recent FCC proceedings, these VoIP applications not only further strain network resources, but also often cause additional extensive ILEC maintenance costs plus cause the inability of Public Service Answering Points – manned by public agency emergency employees – to physically locate callers to 911/E911 from VoIP-enabled lines. This is an additional non-compensated activity to ILECs and other service providers.

C. Shifts Between Dial-up and Broadband Internet Access Lines and Other Line Loss Events

In the late 1990's and early 2000-2001 there was significant growth in local access lines especially in rural areas. This caused increased investment in local loops and switching costs, but also added end user revenues to the USF contribution base. Many of these additions were for second lines where local service was already being provided, mainly for dial-up Internet access. In the last few years there have been significant reductions in these second lines as consumers switch to broadband access from their dial-up services. This has certainly caused stranded investment that no longer is producing local revenue, access revenues or providing contributions to USF and End User charges.

Additional access line loss and related stranded investment is also occurring as consumers appear to switch from traditional landlines to wireless services (many of these second residential lines are usually referred to as "teen line" service). Large numbers of these lines are rapidly being disconnected and are being switched to newer wireless service(s) which offer portability of use (at school, traveling, leisure activities, etc) and allow parents, as well as other users, greater convenience than traditional fixed-location landlines.

This working line reduction in the real world, and the associated creation of stranded embedded investment(s), is another significant reason to continue utilizing embedded cost in the USF process. Models, especially those utilizing forward-looking concepts, have never recognized the necessity of actually incurred higher-cost investment, nor do they encompass adequate forecasting of non-linear growth.

D. Impending Federal Legislative Actions

Two major legislative activities are anticipated to begin early in 2006. It has been widely reported that the Congress will begin a major effort to rewrite (update) the 1996 Act. Recent actions of major shifts in technology, which combine the realistic effects of providing broadband, multimedia (video) and other services over existing and technically upgraded local serving facilities, will dictate this review and the need to recognize the continued blurring of communications and information services. Additionally, the growth of the VoIP-enabled hybrid information/communication service further dictates some Act revisions.

The second anticipated Congressional action concerns the potential development of a formal national broadband policy. The need for policy and procedures to implement a broadband policy has often been a major political concern. Further, as often cited by the media, the United States significantly lags most other developed nations in broadband penetration. Alexicon suggests that it is logical to assume that any Congressional actions would certainly contain definitive goals and investment targets as well as possible funding and contribution mechanisms. This could well supplement or increase existing USF needs.

E. Recent FCC Actions Regarding Disaster Recovery

Actions taken by the FCC at its' September 15, 2005 meeting adds additional pressure to existing USF funding capacities. While no one can, or would, argue with national efforts to help rebuild vital PSTN, local and long distance facilities destroyed by Hurricane Katrina, the proposed expenditures[24] of $211 million to help the rebuilding process will strain already struggling USF resources. It has been reported that the FCC will fund the following from the fund: $51 million from the low income program for wireless phones and 300 minutes of use for affected consumers; $132 million from the E-Rate fund to help schools and libraries reconnect to the Internet; and $28 million from the rural healthcare program to help treat disaster victims.

Although there are no current formal USF explicit rules relating to current or future proposed expenditures, these funds are clearly appropriate and necessary to restore communications infrastructure and maintain the PSTN.

While this action is urgently required to assist in disaster recovery, it clearly will burden existing USF fund flows and represents additional definitive reasons for rejecting any suggestions of ever arbitrarily "capping" USF funds.

VII. Conclusion

Alexicon applauds the efforts of the Joint Board to diligently continue its efforts to resolve the FCC USF referral issues. We are, however, deeply concerned that these efforts have led to this Public Notice containing proposals that are each totally unsupported by any empirical data. Without substantial supporting data, it is impossible to compare the effects of proposals, both toward each other and, more importantly, to existing USF rules, methods and their effects upon both recipients and contributors. One can only therefore review these proposals in a global or logic perspective, which really does not lead to significant information-based analytical conclusions.

Three things are abundantly clear from this continuing process;

[24] as reported in USA Today on September 16, 2005

1. There appears to be a significant bias toward the suggestions of moving greater authority of USF distribution toward state jurisdictions. Alexicon believes there are negative effects with this approach: 1) No evidence has ever been presented as to why in an era of decreasing state regulations a shift to increased state-empowered USF authority is warranted; and 2) there is no apparent benefit to what this shift inures.
2. The present system of federal rules and regulations regarding USF has functioned well for nearly twenty years. There are many regulatory safeguards in the current system that have well served all USF parties – consumers, service providers and contributors.
3. Embedded costs must continue to be recovered by the relatively smaller number of rate-of-return regulated rural ILECs to ensure continued viability of the PSTN and its ability to serve current and future consumers at reasonable, affordable and comparable local service rates.

We respectfully suggest that the Joint Board strongly consider reconstituting a group similar to the former Rural Task Force[25] to more logically continue to move the current FCC/Joint Board USF referral process forward. This group could elicit and analyze current data, and then develop consensus proposals which utilize empirical data in the support process. This new group, if containing consumer advocates, rural ILECs, fund contributors, regulators (both state and Federal), etc. would hopefully allow a broader view of both true problems which need to be resolved and how to deal with the rapidly changing technology and consumer-driven needs of the twenty-first century.

Meanwhile, pending the resolution of the FCC referral, the existing rules and regulations affecting rate-of-return regulated rural ILECs should continue to

[25] Initially appointed in 1998 in this Docket this group issued a series of working White Papers and a 2000 recommendation (accepted by the FCC). Their overall recommendation contained the continuation of existing methodologies for computation of rural rate-of-return USF calculations and distributions for a period of at least five (5) years.

operate in-place. The only suggested change to these that we would support would be a shift toward a unified reporting and distribution time period for all support processes. Instead of having a two year lag between high cost loop cost incurrence and the time the funds for that cost is dispersed (as occurs under current high cost rules), this would shift high cost loop recovery to a more current data reporting period , similar to other aspects of USF and intercarrier compensation. This proposed shift would likely have an overall fund relatively minor dollar effect, mainly in its first year, but would be an important change that allows better equalization of data collections, auditing and follow-up time periods for all explicit USF programs. Finally, this shift could better allow future comprehensive analysis of USF data on a more consistent basis between the various programs, which can assist in reaching important conclusions regarding any future suggested changes.

Respectfully submitted,

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[Filed Electronically]

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